

Free TAFE Bill 2024

Submission to the Senate Education and Employment Committee Inquiry into Free TAFE

15 January 2024

Executive Summary

The Australian Chamber of Commerce and Industry (ACCI) values the opportunity to engage with the Free TAFE Bill 2024, which proposes to fund 100,000 fee-free TAFE places annually starting in 2027. While ACCI supports the initiative to strengthen the vocational education and training (VET) sector, it advocates caution on two fronts.

Firstly, ACCI recommends delaying the legislation of any free skills training program as a permanent aspect of the VET system until more comprehensive data on the program's outcomes is available. The total cost-benefit of the program remains unclear. The existing evidence for Free TAFE does not yet substantiate the program's effectiveness, particularly regarding completion rates and employment outcomes, which are crucial for assessing its real-world impact. We caution against locking in budget measures with legislation where a large expenditure may have little benefit.

Secondly, ACCI suggests broadening the eligibility of the program to include all qualified VET providers, not just TAFE. This expansion would avoid the limitations of a TAFE-centric approach and allow for greater flexibility and inclusivity in training provision. It would ensure all students have more equitable access to quality training, especially in regional, rural and remote areas, addressing broader workforce needs and enhancing the overall training ecosystem.

Recommendations

ACCI recommends that the Australian Government should:

1. Curate and make publicly available comprehensive data on graduate employment outcomes, including completion rates across all student cohorts and training package disciplines, arising from state and Federal-state free-TAFE programs to date.
2. Postpone legislating any free skills training program until enough time has passed to adequately assess the efficacy of the program across a range of criteria, including graduate outcomes
3. Expand the eligibility for vocational education beyond Free TAFE by not discriminating based on provider type in the provision of free skills training. Instead, allow funding to follow the student irrespective of the type of provider they choose.
4. Ensure equity of access to training for students from disadvantaged backgrounds, particularly including students in regional, rural and remote areas, by supporting access to a diversity of quality providers.
5. Standardise eligibility criteria for free skills training across all states and territories to ensure all apprentices and trainees have access, regardless of their specific occupation, age or any other criteria.
6. Fund any free skills training program from 2027 to 2030, with a review in 2029 to assess its effectiveness and potential for permanent integration into the VET system based on graduate outcomes and completion rates.

Introduction

The Australian Chamber of Commerce and Industry (ACCI) welcomes the opportunity to comment on the Free TAFE Bill 2024 [Provisions] (the Bill), noting its aim to provide ongoing provision of financial assistance to the states and territories, funding 100,000 Fee-Free TAFE places a year from 2027. Across the Chamber network, ACCI represents a wide range of industries with a vocational focus from every state and territory, as well as representing both public and private VET providers. This is an area of critical interest to our members.

In principle, ACCI is supportive of new funding being injected into the skills system. A well-funded skills sector is essential to addressing Australia's labour shortages, driving productivity, and equipping workers with the capabilities required for a dynamic economy. By investing in vocational education and training (VET), we can bridge critical skills gaps, improve workforce participation, and support industries that are the backbone of the nation's prosperity.

We strongly support the Bill's preamble, which emphasises that "high quality vocational education and training (VET) is vital to Australia's future, producing the knowledge and skills to position Australia as an economically prosperous, socially equitable, and environmentally sustainable democracy".¹

However, ACCI maintains concerns regarding the focus of this Bill on embedding 'Free TAFE' as an enduring feature of the VET system, and the likely consequences for the broader sector. There are many other policy mechanisms backed by data that could deliver the Bill's intent, such as further supporting small businesses to hire and retain apprentices. Ultimately, ACCI cannot support legislating Free TAFE to make it a permanent feature of the skills landscape before detailed data is available and made transparent to stakeholders to confirm the efficacy of the program.

In this submission, ACCI outlines key challenges with the proposed legislation and proposes alternative approaches that align better with Australia's skills and workforce needs, particularly during this critical period of economic transition.

Part 1: Evaluate free skills training before legislating

The current Free TAFE program commenced in 2023 as separate agreements between the Commonwealth and each state and territory government. This program was to cost taxpayers approximately \$1 billion (\$493 million from the Commonwealth Government) as a 12-month agreement that would deliver the initial 180,000 places commencing from January 2023. In August 2023, the Commonwealth Government provided an additional \$414 million for an additional 300,000 free-TAFE places to be delivered by 2026.

However, for this \$1.5 billion program put in place by the Commonwealth and state & territory governments, including the more than \$900 million committed by the Commonwealth alone, there has been virtually no specific data, evidence, reporting or evaluation as to the effectiveness of this program. Although some Australian Government Ministers have periodically announced a number of enrolments under the free-TAFE program, there has been nothing in terms of completions or employment outcomes for students under this \$1.5 billion of taxpayer investment.

While some programs take a longer time to complete and data therefore takes longer to gather and analyse, other courses funded under the Free-TAFE program are completed in as little as four months full time. On this basis there can be no reasonable rationale for not

¹ Free TAFE Bill 2024, p. 1.

releasing comprehensive data at a national and jurisdictional level as to the effect of the existing Free-TAFE program.

In the absence of such data, reporting and analysis, it is not possible for stakeholders or the Parliament to make a determination as to the value of this Bill.

While the National Centre for Vocational Education Research (NCVER) is not currently able to differentiate between Fee-Free TAFE and mainstream TAFE commencements or completions due to the way data is provided by each state and territory, these jurisdictions do have this data differentiated. It is highly concerning that the Commonwealth is able to publish the number of enrolments in Free TAFE in each jurisdiction for the period January to June 2023 but is not able to publish the number of completions either in total or by any training package disciplines or by student cohorts across these jurisdictions. It is simply not credible to expect employers and other stakeholders to be able to make informed decisions on this Bill when there is a complete absence of meaningful reporting or evaluation on the existing Free TAFE program. Stakeholders should be able to access data on how many students have accessed the Free TAFE program, how many have completed, how many have dropped out, and the reasons they have given for non-completion, as is the case in any other context in VET.²

To enable meaningful analysis, each jurisdiction should provide NCVER with comprehensive data that is specific for the relevant Free TAFE program being delivered there in partnership with the Commonwealth. This should then be published in a suite of reports similar to existing NCVER reports, so as to assist the Committee and stakeholders with better understanding the impact of Free TAFE programs against the expenditure. This simple measure would ensure policymakers and stakeholders can assess the program's performance and identify areas for improvement.

While completion data is essential, the government must also prioritise graduate outcome data to determine if the program is effectively equipping students with the skills industry needs to drive productivity and growth. This will require at least an additional 12 months beyond student completion of a course.

ACCI cannot support embedding Free TAFE as an enduring feature of the VET system without robust evidence of its effectiveness.

Recommendations:

- Curate and make publicly available comprehensive data on graduate employment outcomes, including completion rates across all student cohorts and training package disciplines, arising from state and Federal-state free-TAFE programs to date.
- Postpone legislating any free skills training program until enough time has passed to adequately assess the efficacy of the program across a range of criteria, including graduate outcomes.

² These figures are available through NCVER's VET Student Outcomes Survey.

Part 2: Expand vocational education beyond Free TAFE program to include independent providers

The importance of a diverse provider mix in VET

TAFE plays an important role in Australia's VET system, and there are many training areas at which TAFEs excel. However, the current policy framing of 'TAFE at the heart' risks sidelining the valuable contributions of independent providers.

Independent skills training providers are integral to addressing skills shortages and delivering high-quality training aligned with industry needs. In many instances, they achieve equal or better outcomes than TAFEs do, in part because they have the size and agility to adapt to changing circumstances faster and more completely.

As Figure 1 demonstrates, private providers consistently produce higher completion rates than TAFE. In terms of graduate outcomes, employers are typically equally or even more satisfied with private training providers compared to TAFE institutes, with overall satisfaction with training in 2023 sitting at 77% for TAFE and 79% for private training providers.³

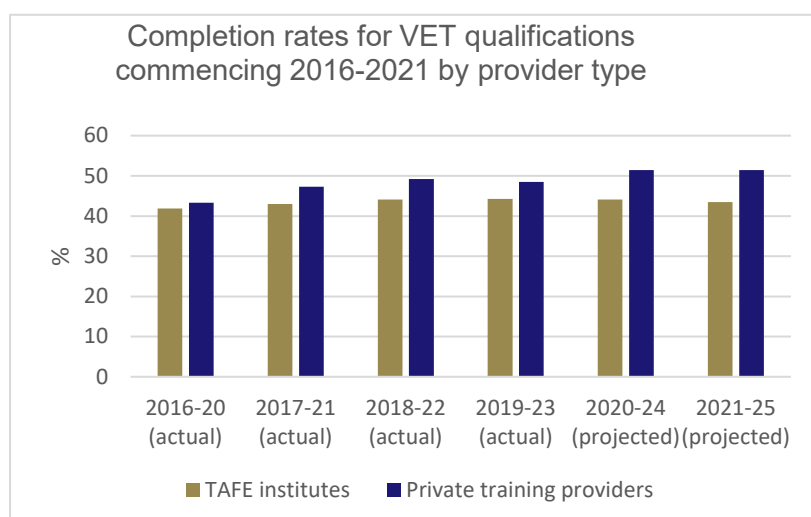


Figure 1: NCVER 2024, Australian vocational education and training statistics: Total VET students and courses, NCVER, Adelaide.

Completion rates measured four years after commencement are presented for qualifications that commenced between 2016 and 2019. Projected completion rates are included for qualifications that commenced in 2020 and 2021, with estimates calculated using a Markov chains methodology.

Far from undermining the good training outcomes that are delivered by TAFE, these figures highlight that there is significant value in having a diverse mix of providers as we aim to address our nation's skill shortages.

The singular emphasis on TAFE, as articulated in the Bill and by the government more broadly, creates a range of perverse and unintended outcomes. For one, the increased demand generated by Free TAFE has placed significant pressure on TAFE infrastructure and workforce across the skills system; this is well known and documented.⁴ Many TAFEs are struggling to meet this demand amidst critical shortages of trainers and assessors. Many ACCI members are relaying that students are delaying their education in the hope of securing a Free TAFE place, and in doing so they are bypassing high quality independent providers.

On one hand, this speaks to the need for provision of a free skills training program – clearly for at least some students, it is the reduction of this financial barrier that is key to uptake. However, by limiting students to only being able to upskill for free through TAFE, rather than

³ NCVER 2023, Employers' use and views of the VET system survey 2023, Table 17, NCVER, Adelaide.

⁴ VET Workforce Blueprint 2024.

through any quality provider, skills shortages are being exacerbated rather than alleviated, as capacity constraints within TAFE limit the system's ability to deliver training at the scale required. This approach inadvertently sidelines independent providers who are well-equipped to contribute to addressing skills gaps, creating an imbalance in the sector and slowing the pipeline of skilled workers into critical industries. A more inclusive model that leverages the full spectrum of quality training providers would better support workforce needs and ensure equitable access to skills development for all students.

To achieve the Bill's stated goals of economic prosperity, equity, and sustainability, we must look more broadly and fully utilise the capacity of all providers capable of delivering quality training.

Recommendation

- Ensure equity of access to training for students from disadvantaged backgrounds, particularly including students in regional, rural and remote areas, by supporting access to a diversity of quality providers.

Free skills training eligibility for apprentices across all jurisdictions

Currently, there is significant variation in how states and territories manage tuition for apprenticeships, and each can determine whether apprentices will be eligible for Free TAFE. For instance, in Queensland, an apprentice can access Free TAFE if they are under 25 and their occupation is on Queensland's skills priority list. In Western Australia, their occupation must be on WA's skills priority list but there is no age limit requirement to access Free TAFE. In Victoria, eligibility for Free TAFE depends on a range of different specific criteria, including the course being in a priority field, the individual's residency status and previous educational qualifications. As a result, some apprentices do have access to Free TAFE and others do not.

The employment outcomes inherent in apprenticeships and traineeships should make them automatic priorities for free skills training. Focusing on priority areas but without extending similar benefits and requirements to all apprenticeship programs, undermines the potential impact of these policies. Therefore, a unified approach would not only streamline administration but also bolster the intended outcomes of free skills training by broadening its scope to include all apprentices, thereby fostering a more skilled and uniformly trained workforce across the nation.

To enhance consistency and efficacy in vocational training across Australia, ACCI recommends that the eligibility criteria for apprenticeships to access free skills training be standardised among all state and territory governments and extended to all apprentices and trainees.

Recommendation:

- Standardise eligibility criteria for free skills training across all states and territories to ensure all apprentices and trainees have access, regardless of their specific occupation, age or any other criteria.

An alternative model: the funding follows the student

ACCI proposes an alternative model: within the existing pool of funding, extend the current benefits of Free TAFE to all qualified providers, both public and private. To ensure enhanced equity of access, this Bill would also establish that funding agreements made between the Commonwealth and each state and territory government, for the purposes outlined in the Bill, would require said funding to 'follow' or be attached to, the student. This is not an

uncommon arrangement in other skills funding contexts and so should not be overly difficult to facilitate.

Before outlining this model further, it is first worth noting how quality is assessed in VET. All RTOs, regardless of state, must comply with the Standards for Registered Training Organizations (RTOs) 2015. These standards are designed to ensure nationally consistent, high-quality training and assessment across Australia's vocational education and training sector. Additionally, each state and territory have supplementary funding programs, each with their own requirements for providers to qualify for state or territory funding. Thus, when we suggest expanding this program to qualified providers, it is important to be clear that those providers have been through a thorough vetting process to ensure the quality of their offerings.

This model would:

- Address skills shortages by ensuring funding prioritises courses in occupations identified in the Jobs and Skills Australia Skills Priority List.
- Improve equity by providing equal access to high-quality training for students across Australia, irrespective of student cohort, geographic location or the type of high-quality provider capable of delivering the training.
- Increase student choice by allowing them to choose the provider that best meets their needs, particularly in regional, rural and remote areas.

Currently, the sole focus on TAFE places a particular disadvantage on the approximately 1.36 million students in regional, rural and remote Australia, where, according to a 2023 Jobs and Skills Australia report on vocational education and training in regional, rural and remote Australia, 'thinner' VET markets often rely on independent providers.⁵ Small and medium enterprises (SMEs) in these areas are particularly impacted by the lack of skilled workers. The government's Regional Investment Framework makes "listening to local voices" a priority.⁶ To support this goal, potential students in regional, rural and remote areas should have access to the program, rather than having to move away from home or travel long distances to access a fully subsidised qualification through the existing Free TAFE program.

Furthermore, any training programs funded by the Commonwealth must be closely aligned with actual employment opportunities, particularly in regional, rural and remote areas. There have been instances where training initiatives were implemented in places like the Northern Territory without a clear connection to local job markets. For example, introducing courses in industries where no local jobs exist fails to benefit communities, especially Indigenous populations who prefer not to leave their ancestral lands for employment. Therefore, it's crucial that state requirements mandate training opportunities that directly correspond to available and relevant job opportunities in the local area.

Ultimately, an expanded program would better support the government's stated goal to "remove financial barriers to education and training, including for people experiencing economic disadvantage",⁷ by giving those people greater choice of provider and qualification.

⁵ Jobs and Skills Australia 2023, "Vocational education and training in regional, rural and remote Australia".

⁶ Regional Investment Framework 2023.

⁷ Free TAFE Bill 2024, p. 3.

Program timing

ACCI recommends that any free skills training program be funded from 2027 through 2030, with a review scheduled for 2029. This timing allows for a comprehensive evaluation in the third year, with findings expected by the middle of the fourth year. The review should focus on completion rates and, more importantly, the outcomes for graduates. Should the program demonstrate success through evidence-based assessments, ACCI would support its permanent establishment in the VET system through legislative action.

Recommendations:

- Expand the eligibility for Free TAFE by not discriminating based on provider type in the provision of free skills training. Instead, allow funding to follow the student irrespective of the type of provider they choose.
- Fund any free skills training program from 2027 to 2030, with a review in 2029 to assess its effectiveness and potential for permanent integration into the VET system based on graduate outcomes and completion rates.

Summary

While we appreciate the government's efforts to lower financial barriers in education and training, we oppose legislating a government-owned provider as the sole option to achieve this. This approach disadvantages students, reducing their autonomy, and disadvantages independent providers that often deliver superior services and outcomes for students.

The legislation effectively signals to price-sensitive students that they should only consider TAFE for their education, given it's the sole provider with comprehensive financial support. This approach overlooks broader issues like lower completion rates and dissatisfaction among students and employers, focusing narrowly on financial incentives.

ACCI is firmly of the view that an evidence-based approach that prioritises outcomes will better position Australia to address its skills shortages and workforce challenges.

ACCI urges the government to consider expanding the eligibility of the Free TAFE program to all qualified providers, ensuring equitable access for regional, rural and remote communities, and aligns funding with employment outcomes. These measures will support the Bill's overarching goals of economic prosperity, social equity, and environmental sustainability.

With any queries, please contact Dr Jodie Trembath, Director of Skills, Employment and Small Business, at jodie.trembath@acci.com.au.

About the Australian Chamber of Commerce and Industry

The Australian Chamber of Commerce and Industry (ACCI) is Australia's largest and most representative business network. We facilitate meaningful conversations between our members and federal government – combining the benefits of our expansive network with deep policy and advocacy knowledge. It's our aim to make Australia the best place in the world to do business. ACCI membership list can be viewed at www.australianchamber.com.au/membership/current-members/

Telephone 02 6270 8000 | Email info@acci.com.au | Website www.acci.com.au
Media enquiries: Telephone 02 6270 8020 | Email media@acci.com.au

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